

OFFICE OF
INSURANCE COMMISSIONER*In The Matter Of:*

GROUP HEALTH COOPERATIVE, a
Registered Health Maintenance Organization,
and GROUP HEALTH OPTIONS, Inc., a
Registered Health Care Service Contractor

No. D 06-224

CONSENT ORDER
LEVYING A FINE

To: Group Health Cooperative
Group Health Options, Inc.
521 Wall Street
Seattle, WA 98121

Comes Now the Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.080, RCW 48.44.160, and RCW 48.46.135, and having reviewed the official records and files of the Office of the Insurance Commissioner, makes the following:

FINDINGS OF FACT:

1. Group Health Cooperative is a health maintenance organization registered to do business in the State of Washington and Group Health Options, Inc. is a health care service contractor registered to do business in the State of Washington.
2. The Office of the Insurance Commissioner (OIC) conducted a market conduct examination of Group Health Cooperative and Group Health Options, Inc., hereinafter collectively referred to as "Group Health" or "companies", covering the time period between January 1, 2003, and March 31, 2004. The examination focused on the areas of advertising, claims, rate and form filing, underwriting and policy administration, agent activity, complaints, provider activity, and network adequacy.
3. The market conduct examination of Group Health was adopted by the Insurance Commissioner by Order Adopting Report of Market Conduct Examination No. G-05-85, entered October 27, 2005, which order is final.
4. During the examination, the companies failed to timely submit records requested by the examiners relating to their operations and failed to facilitate the examination. For example, out of fifty requests for information, seven responses were received after the established due

dates and the companies were unable to provide three Group Health Options files that were requested.

5. The companies failed to maintain a complete central advertising file and delayed completion of the portion of the examination relating to advertising by approximately four weeks by failing to include traditional advertising pieces such as direct mail, newspaper ads, magazine ads, billboard copy, and radio and television spots in their response to the examiners' request for advertising materials.
6. The companies used two advertisements that included the words "superior" and "ultimate" in a manner that exaggerated the benefits of the plans advertised.
7. The companies cited statistical information in five Power Point presentations without disclosing the source of the statistics used in the advertisements.
8. In situations where the companies had modified original payment decisions, the companies failed to provide amended explanations of benefits notifying the enrollee and the enrollee's provider of the decisions to modify payment.
9. For the months of September 2003, January 2004, February 2004, and March 2004, the companies failed to pay ninety-five percent of clean claims within thirty days of receipt. For these months, the percentages of clean claims paid within thirty days ranged from ninety percent to ninety-three percent.
10. The companies' written policy for utilization review determinations provided that such determinations were to be made within three days of the request or as expeditiously as the patient's health requires.
11. Of one hundred sixty four files reviewed for proper agent licensure and appointments, the OIC examiners found six instances in which the agents or brokers were not licensed in Washington at the time the business was solicited on behalf of the companies and four instances in which the agents were not appointed directly with the company or affiliated with a broker or appointed agency prior to solicitation of business on the companies' behalf.
12. In calculating premiums for their Options Classic and Alliant Plus large group plans, the companies included the expense to the companies of purchasing stop loss insurance. This expense factor was not included in the companies' rate filings for these plans. Two hundred twenty eight groups received such bills. As a result of this examination finding, the companies agreed to refund amounts collected in excess of their filed rates.
13. The companies used three provider contract forms prior to filing the forms with the OIC.

Based upon the foregoing Findings of Fact, the Commissioner makes the following:

CONCLUSIONS OF LAW

1. RCW 48.05.185 authorizes the Insurance Commissioner to impose a fine in lieu of the suspension or revocation of a company's license.
2. Group Health committed the following violations of Washington law:
 - a. The companies' failure to timely submit records requested by the OIC's examiners and failure to facilitate the market conduct examination violated RCW 48.44.145(2) and RCW 48.46.120(2);
 - b. The companies' failure to maintain a complete and central advertising file violated WAC 284-50-200;
 - c. The companies' advertising use of superlatives that exaggerated plan benefits violated RCW WAC 284-50-060(2);
 - d. The companies' advertising use of statistics without disclosing the source of the statistics violated WAC 284-50-110(3);
 - e. The companies' failure to send amended explanations of benefits or otherwise notify enrollees and providers when initial payment decisions were modified violated RCW 48.43.530(3);
 - f. The companies' failure to pay ninety-five percent of clean claims within thirty days on a monthly basis for four months violated WAC 284-43-321(2);
 - g. The companies' written policy of allowing three days for making utilization review determinations violated the requirement of WAC 284-43-410(5)(a) that such determinations be made within two business days of receipt of the necessary information on a proposed admission or service requiring a review determination;
 - h. The companies' failure to insure that agents were licensed in Washington before they solicited business on behalf of the companies violated RCW §§ 48.17.060(1), 48.17.060(2), 48.44.011(2), and 48.46.023(2);
 - i. The companies' failure to insure that agents were appointed to represent the companies prior to soliciting business on their behalf violated RCW 48.17.160(1), 48.44.011(2), and 48.46.023(2);
 - j. The companies' failure to include hold harmless agreements in seven provider contracts violated WAC 284-43-320;
 - k. The companies' use of unfiled rates violated RCW 48.44.040, RCW 48.46.062(3), and WAC 284-43-920;
 - l. The companies' use of unfiled provider contracts violated RCW 48.44.070, RCW 48.46.243(3), and WAC 284-43-330;

CONSENT TO ORDER

NOW, THEREFORE, Group Health Cooperative and Group Health Options, Inc. consent to the following in consideration of their desire to resolve this matter without further administrative or judicial proceedings, and the Insurance Commissioner consents to settle the matter in consideration of Group Health's payment of a fine and such other terms and conditions as are set forth below:

1. The companies consent to entry of the foregoing Findings of Fact and Conclusions of Law as they pertain to these facts, consent to the entry of this Order, and waive further administrative or judicial challenge to the OIC's actions related to the subject matter of the Order;
2. Within thirty days of the entry of this Order Group Health Cooperative agrees to pay to the OIC a fine in the amount of \$15,000 and Group Health Options, Inc. agrees to pay to the OIC a fine in the amount of \$5,000;
3. Failure to pay the fine set forth in paragraph two shall constitute grounds for the revocation of the companies' certificates of registration.

EXECUTED this 3 day of June, 2006.

GROUP HEALTH COOPERATIVE

By: Maureen McLaughlin

Typed Name: Maureen McLaughlin

Typed Corporate Title: Executive VP, Health Plan Division

GROUP HEALTH OPTIONS, INC.

By: Maureen McLaughlin

Typed Name: Maureen McLaughlin

Typed Corporate Title: CEO, Group Health Options

ORDER OF THE INSURANCE COMMISSIONER

NOW, THEREFORE, pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. Group Health Cooperative is ordered to pay a fine in the amount of \$15,000 and Group Health Options, Inc. is ordered to pay a fine in the amount of \$5,000 .

2. The Companies' failure to pay the fine within the time limit set forth above shall result in the revocation of the Companies' registrations and authority to conduct business in the state as a health care services contractor or health maintenance organization and in the recovery of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this 10th day of July, 2006.

MIKE KREIDLER,
Insurance Commissioner

By: Charles D. Brown
Charles D. Brown
Staff Attorney
Legal Affairs Division